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SUBJECT: BOEING AND BIMAN SIGN SINGLE LARGEST CAPITAL GOODS CONTRACT IN BANGLADESH HISTORY

REF: DHAKA 407

¶1. SUMMARY: Boeing and Biman Bangladesh Airlines (Biman) April 22 signed a Definitive Agreement on a purchase by Biman of eight new widebody aircraft, with purchase rights on eight additional aircraft of the same models. The value of the sale including purchase rights is \$2.1 billion, making this the largest capital goods contract in Bangladesh history. In addition, a surprise announcement was made of a Memorandum of Understanding (MOU) for Biman to purchase two new short and medium range Boeing aircraft, with purchase options for two more. END SUMMARY

¶2. Following the signing of an MOU in March (reftel), Boeing and Biman signed a Definitive Agreement (DA) for Biman to purchase four 777-300ER and four 787-8 aircraft, with purchase options for four more of each, for a possible total of 16 widebody aircraft. Identifying this sale as the single largest capital goods contract in Bangladesh history, Biman and Boeing officials highlighted the extraordinary efforts that went into the agreement and the transparency with which the negotiations were concluded. Ambassador Moriarty remarked positively on the recent restructuring of the airline, and the opportunity Biman now has to enhance Bangladesh's commercial development.

Boeing Sweep

¶3. In addition to the sale of widebody planes, Biman recently reviewed proposals from both Boeing and Airbus for short and medium range aircraft (reftel). In a surprise development, Biman announced that it had agreed to the Boeing proposal, and at the conclusion of the DA signing ceremony the two parties signed an MOU for the purchase of two Boeing 737-800 aircraft with purchase options for two more, at a possible total value of \$320 million. Boeing officials reported that a Definitive Agreement on this sale may be concluded within a month. As a result of these two sales, Biman will eventually have an all Boeing fleet.

¶4. Mahbub Jamil, the Special Assistant to the Chief Adviser for Civil Aviation and Tourism, who chairs the Board of Directors of Biman, told the Ambassador that the decision to buy Boeing widebodies had been easy; Airbus had not made a realistic offer. Airbus had provided much stiffer competition with respect to short and medium range aircraft. The ability to lease used 737's quickly while awaiting delivery of new aircraft had tilted that deal in Boeing's favor.

Next Steps

¶5. Jamil announced that Bangladesh is expected to ratify the Cape Town Convention in May, an essential step for the financing of the aircraft purchases (reftel). The conclusion of the two DA's will open the way for Boeing to proceed with the leases of aircraft to serve Biman in the interim period until the new planes are delivered.

Moriarty